POLEN | CAPITAL

POLEN FOCUS GROWTH STRATEGY

Summary

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- During the third quarter of 2018, the Polen Focus Growth Composite Portfolio (the "Portfolio") returned 10.55% gross of fees versus 9.18% for the Russell 1000 Growth Index and 7.71% for the S&P 500. Year to date, the Portfolio returned 24.68% gross of fees versus 17.09% and 10.56% for the Russell 1000 Growth and S&P 500, respectively. Microsoft, O'Reilly Automotive and Visa were top contributors to performance this quarter. Leading detractors were Facebook, Booking Holdings and NVIDIA.

- The Portfolio has seen accelerating revenue and earnings growth in 2018, as has the broader market. The revenue acceleration is purely fundamental, but we believe that much of the earnings acceleration has been due to lower corporate tax rates. Going forward, we expect the Portfolio to return to its historical mid-teens earnings growth rate as tax benefits are lapped and effects of the recent strength of the U.S. dollar flow through our companies' income statements.

- We established a new position in NVIDIA during the third quarter and added to our Starbucks position. We trimmed our weightings in Adobe and Oracle to fund the NVIDIA purchase and modestly reduced our position in Align Technology due to valuation.

- Despite a relatively flat yield curve, short-term interest rate increases, and upcoming Fed balance sheet shrinkage, we believe the U.S. equity market was quite strong this quarter. China tariff volleys were not enough to offset the positives of healthy GDP growth in the United States, lower taxes and strong consumer confidence. We have some concerns though, which include protectionism, aggressive world leaders, large budget deficits and the rise of trend-following strategies.

Commentary

During the third quarter of 2018, the Polen Focus Growth Composite Portfolio (the "Portfolio") returned 10.55% gross of fees compared to 9.18% for the Russell 1000 Growth Index and 7.71% for the S&P 500. Year to date, the Portfolio has returned 24.68% gross of fees versus 17.09% for the Russell 1000 Growth and 10.56% for the S&P 500. **Microsoft Corporation**, **O'Reilly Automotive, Inc.** and **Visa Inc.** were top contributors to performance this quarter. Leading detractors were **Facebook, Inc.**, **Booking Holdings Inc.** and **NVIDIA Corporation**.

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United States, lower taxes and strong consumer confidence. We have some concerns though, which include protectionism, aggressive world leaders, massive budget deficits and the rise of trend-following strategies. We will discuss this last issue, passive and trend-following strategies, next as we believe the changes in market structure in the United States have been significant and could impact the pattern of short-term returns.

The Next Downturn - The Impact of Passive and Trend-Following Strategies

Investors spend considerable time thinking about downturns. No one wants to see assets decline in value, and despite the understanding that markets do not appreciate continuously, downturns are always feared. Downturns also attract attention because though they tend to occur less frequently than up markets, they feel painful when they do occur. Behavioral economic studies show that investors' feelings of loss are at least twice as intense as the pleasure of gain. In the nearly 30-year track record of the Polen Focus Growth Portfolio, we have only seen two significant drawdowns: the 2000-2002 tech bubble burst and the 2008 global financial crisis. In each of these down markets, our Portfolio protected significant capital. The combination of extremely high-quality holdings with cash-rich balance sheets and massive competitive advantages, stable earnings growth of the holdings through recessions, and the allocation to a combination of "growth" and "safety" positions are all likely contributors to our historical downside protection. None of this has changed because our investment philosophy has been applied very consistently throughout our history, so whenever the next downturn comes, we hope to be able to protect significant capital again. Our mission at Polen Capital starts with "Preserve and Grow Client Assets," with the word "preserve" intentionally preceding the word "grow," given our intense focus on capital preservation.

One item that could make the next downturn different is that the structure of the market has changed, and we believe this is worth discussing with clients. The continued rise of passive, quantitative and trend-following strategies has fundamentally changed market structure (especially in the United States) and could impact short-term returns, especially in a drawdown. Studies show that passive equity ETFs and mutual funds now account for roughly 40% of global equity assets, up from a high-teens percentage during the financial crisis (the percentage is higher in the United States). In addition, it is estimated that fundamental, active asset managers (such as Polen Capital) only account for roughly 10% of daily trading volume with the other 90% coming from passive ETFs and funds, quantitative and high-frequency trading funds and equity trading around options and futures. We refer to this group of non-fundamental market participants as "non-thinking" traders. Trades from this group are not based on fundamental company data, company research or valuations, but instead are based on recent price movements and fund flows of the stocks themselves. These strategies become momentum strategies, buying when price trends are moving up and selling when trends are moving down. This is obviously an overgeneralization, but the point is still likely valid. There has been a clear move away from active fundamental investing to passive and momentum strategies over the past decade that amounts to somewhere between $2 trillion to $3 trillion.

Our concern is that because of this change in market structure, the next downturn may not be as discerning as in the past. Correlations may be a lot higher as all these momentum and passive strategies trade in the same direction. For different reasons, we experienced a similar phenomenon in late 2008. The big drawdown in the fourth quarter of 2008 was a liquidity-induced crisis where correlations approached 1.0 across asset classes. Everything seemed to be declining together regardless of the strength and quality of the business, its growth prospects, and valuation. Our Portfolio managed to outperform its benchmark by roughly 1000 basis points in 2008, but in the heat of that big drawdown, our Portfolio went down point for point with the market. Our outperformance came before and after the sharp decline.

The next drawdown could show higher correlation than we would like to see. However, we continue to expect that if we own fundamentally better businesses with persistent earnings growth, regardless of the economic environment, we should perform much better than the broader market. The separation may not be seen in the immediacy of a drawdown, but widening the lens to the periods before and after the initial spikes lower should paint a clearer picture of the power of owning the most competitively advantaged, financially superior businesses and nothing less. Our Portfolio Strategist Stephen Atkins will dive deeper into these thoughts in an upcoming white paper.

Portfolio Performance & Activity

The top three contributors (Portfolio average weight multiplied by return) for the third quarter were Microsoft (1.36%), O'Reilly Automotive (1.25%) and Visa (0.90%).

Microsoft, O'Reilly Automotive and Visa were top contributors in the third quarter. We have discussed Microsoft and Visa quite a bit in past commentaries, so we will highlight O'Reilly in more detail. Facebook was the only significant detractor in the quarter, which we discuss below. Booking Holdings declined slightly, and our newest holding NVIDIA was essentially flat in the roughly one month that we have owned it. Our rationale for the NVIDIA purchase also follows.

O'Reilly Automotive has returned to strong revenue growth after a year or so of mediocre results. The company had seen a slowdown in 2017, which we attributed to a lull in the number of cars at the sweet-spot age for repairs. These are cars that were sold new during the financial crisis and ensuing recession, which were obviously a much smaller cohort than normal. Skeptics of the company and industry pointed to Amazon's move into auto parts as the culprit of the slowdown, but our research did not substantiate that concern. Back in July 2017, we felt confident that the slowdown was transitory, and growth would accelerate rather quickly. We added to our position at that time. Same-store-sales have accelerated back to the mid-single-digit range that we expected as the fleet of 8- to 10-year-old cars is becoming more normal again. O'Reilly shares have nearly doubled since our addition, but the valuation is still comfortable at just under 20x forward earnings estimates.

The three largest detractors in the third quarter were Facebook (-0.64%), Booking Holdings (-0.06%) and NVIDIA (-0.05%).

Facebook shares declined over 15% in the third quarter after the company's second quarter earnings conference call. To protect and enhance its platform, the company will be making changes to emphasize meaningful interactions on Facebook that may lead to slower revenue growth in the near term. Facebook is also investing heavily in people and systems to provide a more robust and secure platform. These investments will likely lead to substantially lower profit margins for Facebook over the next few years and possibly beyond that. Management at Facebook had already indicated that most of these changes were coming quarters ago but hadn't sized the impact financially. We reduced our position in January 2018, anticipating much of what the company eventually announced. The margin impact may end up being worse than we anticipated. On the other hand, we believe Facebook's competitive advantage is getting stronger. With no significant competitor outside of China, other than its own Instagram property, the barriers to entry are getting even higher considering the tremendous costs of securing a social network and complying with data privacy laws. Also, we believe there will still be substantial growth in online advertising for years to come, with Google and Facebook garnering the vast majority of that spend. We are maintaining our smaller Facebook position, for now, as we watch the company's progress on increasing user engagement and maintaining strong advertiser demand.

We purchased a 4% weighting in NVIDIA at the end of August. NVIDIA dominates the market for graphics processing units (GPUs). GPUs are semiconductor chips that for many years have been used for high-end PC graphics, especially for gaming. Gaming graphics are computationally challenging and benefit from parallel processing (doing many calculations simultaneously) as opposed to CPUs, which do calculations serially (one at a time). The market for gaming chips has been robust for some time and is likely to remain that way. NVIDIA has between 80-90% market share of gaming chips by revenue. Over the last few years, it has become clear that GPUs are also a winning solution for machine learning in datacenters. This is because machine learning/artificial intelligence (AI) requires tremendous data computation. NVIDIA has made their GPUs easy to use and deploy by data scientists and engineers by creating a programming language called CUDA over a decade ago. Since then, a tremendous software ecosystem has been created around CUDA and NVIDIA GPUs by the company and many other third parties. Today, there are over 1 million CUDA developers globally and a huge number of AI libraries and models specifically designed to work with NVIDIA GPUs. We now believe that NVIDIA has multiple layers of competitive advantages in both gaming and the datacenter, which provide strong protection to this franchise. If technology specifications were the only competitive advantage, we would not have invested. We believe CUDA, the developer and software ecosystem that has coalesced around them, and the nearly $15 billion in cumulative R&D the company has invested are part of a very strong moat. We expect at least 20% revenue growth and 25% earnings per share growth over the next 3-5 years as gaming remains strong and the datacenter business scales up. Future upside in other potential revenue sources, including self-driving cars, are not factored into our outlook, as the opportunity here is still likely years away. Our NVIDIA purchase was funded by small trims to our Adobe and Oracle positions.

We discussed **Starbucks Corporation's** challenges in the United States and China in last quarter's commentary. Since then, we have continued our research and met with members of their senior management team in Seattle. The result is that we believe that the issues in China will be remedied in short order. There has been a substantial slowdown in China, mostly due to Starbucks not being able to do beverage and food delivery well. Consumers in China have quickly adopted a desire for coffee delivery, and Starbucks will now partner with Alibaba in a comprehensive way to not only accomplish delivery, but to do it in a sustainable and profitable way. In the United States, the issues seem to be a bit more complicated and multi-faceted, but not insurmountable. Our biggest concern was the potential for cannibalization in this mature market, but this does not seem to be the case. With strong positive traffic in the morning, but weakness in the afternoon, cannibalization is not the likely issue, as it would impact the entire day, not just the afternoon. The company's data also indicates that cannibalization rates across the United States have not changed over time when new stores move close by. This is another indicator that the issues are more likely due to the company's afternoon offerings and/or changing consumer preferences. We think it is a combination of both that will take time for Starbucks to work through, but the company has a history of excellent product and experience innovation that we believe will return the company to better growth in 2019. With competitive advantages intact and a path to accelerating revenue and earnings growth, we used recent stock price weakness to add to our Starbucks position, increasing the weighting from 3.5% to 5.5%.

Sector Classification Changes

At the end of the third quarter, S&P and MSCI changed some sector and company classifications by creating a new Communications Services sector. Certain companies were moved from other sectors into this new one. For us, this meant moving Facebook and **Alphabet Inc.** from Information Technology (IT) to Communications Services, lowering our IT weighting from around 60% to 48%. While index and sector classifications do not impact how we manage our portfolios, we applaud these changes as we believe the IT sector has become a catch-all for many different companies, not just technology, and the new sector classification better reflects media delivery and content as separate from technology. We hope more will come. For instance, Visa and **Mastercard Incorporated** are still in the IT sector even though they are users of technology, not technology developers.

Large Company Growth Team Update

We are excited to announce two promotions on our team that will take effect on January 1, 2019.

First, Brandon Ladoff will join us as co-Portfolio Manager on the Focus Growth strategy. Brandon is currently our team's Director of Research and will also maintain that role going forward. Brandon has been with Polen Capital for nearly six years and has been integral to our research and a strong mentor to his teammates.

In addition, Daniel Fields will join Todd Morris as co-Portfolio Manager on our International Growth strategy. Daniel joined Polen Capital in 2017 and brought a wealth of experience investing in international markets with a very similar investment philosophy to ours. Daniel has already had substantial impact on our research efforts, especially on companies outside the United States.

Both Brandon and Daniel have the perfect temperament and humility to be successful portfolio managers investing the Polen Capital way. They have already begun their mentorship alongside their portfolio manager partners to hit the ground running in their new roles in January.

Thank you for your interest in Polen Capital and the Focus Growth strategy. Please feel free to contact us with any questions or comments.

Sincerely,

Dan Davidowitz & Damon Ficklin

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Historical Performance

Polen Focus Growth (SMA) Composite as of 09-30-2018				
	Polen (Gross)	**Polen (Net)**	**R1000G**	**S&P 500**
Sep-18	1.71	1.71	0.56	0.57
3 Month	10.55	10.43	9.18	7.71
YTD	24.68	24.25	17.09	10.56
1 Year	31.14	30.53	26.30	17.91
3 Years	20.54	19.96	20.56	17.32
5 Years	19.76	19.15	16.59	13.96
7 Years	19.13	18.49	18.70	16.92
10 Years	15.69	14.98	14.31	11.97
15 Years	12.51	11.73	10.67	9.65
20 Years	11.05	10.20	7.23	7.42
25 Years	14.26	13.30	9.81	9.81
Since Inception (1/1/89)	15.01	13.99	10.71	10.60

Source: Archer

Returns are trailing through: Sep-30-2018

Annualized returns are presented for periods greater than 1 year.

GIPS Disclosure

Polen Capital Management
Large Capitalization Equity Composite-Annual Disclosure Presentation

		UMA	Firm	Composite Assets		Annual Performance Results					3 Year Standard Deviation		
Year End	Total (millions)	Assets (millions)	Assets (millions)	U.S. Dollars (millions)	Number of Accounts	Composite Gross	Composite Net	S&P 500	Russell 1000 Growth	Composite Dispersion	PCM Gross	S&P 500	Russell 1000 Growth
2017	17,422	6,954	10,468	5,312	514	27.73%	27.13%	21.83%	30.22%	0.3%	10.65	10.07	10.69
2016	11,158	4,648	6,510	3,243	450	1.73%	1.23%	11.96%	7.09%	0.2%	11.31	10.74	11.31
2015	7,451	2,125	5,326	2,239	321	15.89%	15.27%	1.38%	5.68%	0.1%	10.92	10.62	10.85
2014	5,366	1,374	3,992	1,990	237	17.60%	16.95%	13.69%	13.06%	0.2%	10.66	9.10	9.73
2013	5,017	1,197	3,820	1,834	245	23.77%	23.07%	32.39%	33.49%	0.3%	11.91	12.11	12.35
2012	4,522	891	3,631	1,495	325	12.43%	11.75%	16.00%	15.26%	0.1%	16.01	15.30	15.88
2011	2,366	562	1,804	555	171	9.04%	8.25%	2.11%	2.63%	0.2%	15.97	18.97	18.01
2010	1,185	322	863	316	120	15.65%	14.70%	15.06%	16.72%	0.2%	20.16	22.16	22.42
2009	624	131	493	225	120	39.71%	38.50%	26.46%	37.21%	0.3%	16.99	19.91	20.01
2008	266	10	256	137	112	-27.81%	-28.42%	-37.00%	-38.44%	0.2%	15.26	15.29	16.63
2007	682	-	682	491	149	10.78%	9.86%	5.49%	11.81%	0.2%	8.36	7.79	8.66
2006	730	-	730	524	219	15.00%	14.04%	15.80%	9.07%	0.1%	7.27	6.92	8.43
2005	1,849	-	1,849	945	419	-0.53%	-1.43%	4.91%	5.26%	0.2%	8.10	9.17	9.67
2004	2,017	-	2,017	1,124	665	8.72%	7.76%	10.88%	6.30%	0.2%	10.09	15.07	15.66
2003	1,617	-	1,617	907	516	17.73%	16.67%	28.68%	29.75%	0.6%	12.98	18.32	22.98
2002	970	-	970	518	407	-6.69%	-7.53%	-22.06%	-27.88%	0.4%	13.15	18.81	25.58
2001	703	-	703	408	289	-4.61%	-5.50%	-11.93%	-20.42%	0.6%	13.58	16.94	25.56
2000	622	-	622	359	236	-3.50%	-4.44%	-9.10%	-22.42%	0.5%	16.52	17.67	23.11
1999	640	-	640	378	228	23.89%	22.65%	21.04%	33.16%	0.6%	18.27	16.76	19.27
1998	418	-	418	257	202	31.61%	30.19%	28.58%	38.71%	0.7%	17.95	16.23	18.15
1997	252	-	252	145	158	37.14%	35.63%	33.36%	30.49%	0.9%	13.17	11.30	12.80
1996	140	-	140	89	118	31.94%	30.40%	22.96%	23.12%	0.7%	10.16	9.72	10.49
1995	70	-	70	45	61	48.07%	46.33%	37.58%	37.18%	1.1%	9.72	8.34	9.26
1994	32	-	32	17	27	10.13%	8.96%	1.32%	2.62%	1.6%			
1993	24	-	24	16	26	13.07%	11.85%	10.08%	2.69%	2.9%			
1992	16	-	16	11	24								

Total assets and UMA assets are supplemental information to the Annual Disclosure Presentation.

GIPS Disclosure

The Large Capitalization Equity Composite created on January 1, 2006 contains fully discretionary large cap equity accounts that are not managed within a wrap fee structure and for comparison purposes is measured against the S&P 500 and the Russell 1000 Growth indices. Polen Capital invests exclusively in a portfolio of high-quality companies.

Polen Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Polen Capital Management has been independently verified by ACA Performance Services, LLC for the periods January 1, 2016 through December 31, 2016. A verification covering the periods from April 1, 1992 through December 31, 2015 was performed by Ashland Partners & Company LLP, which was acquired by ACA Performance Services, LLC, whose report expressed an unqualified opinion thereon.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Large Capitalization Equity Composite has been examined for the periods April 1, 1992 through December 31, 2016. The verification and performance examination reports are available upon request.

Polen Capital Management is an independent registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. In July 2007, the firm was reorganized from an S-corporation into an LLC and changed names from Polen Capital Management, Inc. to Polen Capital Management, LLC.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. From July 1, 2002 through April 30, 2016, composite policy required the temporary removal of any portfolio incurring a client initiated significant cash outflow of 10% or greater of portfolio assets. The temporary removal of such an account occurred at the beginning of the month in which the significant cash flow occurred and the account re-entered the composite the first full month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request. Effective January 1, 2018, accounts must be fully invested at the market open on the first business day of the month, in order to be included in that month's composite.

Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The management fee schedule is as follows:
Institutional: Per annum fees for managing accounts are 75 basis points (.75%) on the first $50 Million and 55 basis points (.55%) on all assets above $50 Million of assets under management. HNW: Per annum fees for managing accounts are 150 basis points (1.5%) of the first $500,000 of assets under management and 100 basis points (1.0%) of amounts above $500,000 of assets under management. Actual investment advisory fees incurred by clients may vary.

Past performance does not guarantee future results and future accuracy and profitable results cannot be guaranteed. Performance figures are presented gross and net of management fees and have been calculated after the deduction of all transaction costs and commissions. Polen Capital is an SEC registered investment advisor and its investment advisory fees are described in its Form ADV Part 2A. The advisory fees will reduce clients' returns. The chart below depicts the effect of a 1% management fee on the growth of one dollar over a 10 year period at 10% (9% after fees) and 20% (19% after fees) assumed rates of return.

The S&P 500® Index is a widely recognized, unmanaged index of 500 common stocks which are generally representative of the U.S. stock market as a whole.
The Russell 1000® Growth Index is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

The information provided in this document should not be construed as a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite or that the securities sold will not be repurchased. The securities discussed do not represent the composites' entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of our past specific recommendations for the last year is available upon request.

Return	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
10%	1.1	1.21	1.33	1.46	1.61	1.71	1.95	2.14	2.36	2.59
9%	1.09	1.19	1.3	1.41	1.54	1.68	1.83	1.99	2.17	2.39
20%	1.2	1.44	1.73	2.07	2.49	2.99	3.58	4.3	5.16	6.19
19%	1.19	1.42	1.69	2.01	2.39	2.84	3.38	4.02	4.79	5.69